CALDWELL
U.S. Dividend Advantage Fund

February Management Update
TMX: UDA.UN

Dear Investor,

If you were lucky enough to be on a beach for the entire month of February, it would appear that little happened in North American markets while you were away. The United States (S&P 500) closed down -0.4%, Canada (S&P/TSX Composite Index) closed up 0.3%, and Oil (WTI) closed up 1.7%. This was far from reality as both equity markets fell -7.1% and -5.7%, respectively, and WTI was down -20.6% before recovering. International markets did not fare nearly as well. Japan (Nikkie 225) ended February down -8.5%, Europe (Euro Stoxx 50) down -3.3%, and emerging markets (MSCI EEM) down –0.8%.

February started off with a bang as the Bank of Japan ("BoJ)") shocked the global markets by moving to a negative interest rate policy. Japanese currency ("Yen") is heavily used in what is referred to as the "Carry Trade". This is where a trader borrows in one currency, typically a low growth nation, and invests in another, typically a higher growth nation. As investors heard this startling news from the BOJ, they rushed to pay back their loans which caused the Yen to strengthen against the U.S. Dollar ("USD") a staggering 9.1% in ten trading days, an almost unheard of amount in the currency markets. The ripple effect of this was a massive sell off in global equity markets, led by the Nikkie 225, which fell 16.8% in ten trading days, it fueled the sell-offs in the United States ("U.S.") and Canadian markets highlighted above.

Growth concerns throughout the world have given investors anxiety. Both Europe and Japan have adopted negative interest rate polices as they grapple with stagnating economies and rapidly changing demographics (an aging population for Japan and a refugee crisis in Europe). Flight to safety assets like gold and the U.S. 30 year bond have rallied strongly, with the latter yielding below 2.6%. A yield this low was last seen during the financial crisis of 2008. The economic landscape between then and now is vastly different and the U.S economy is showing signs of healthy improvements at every turn. The U.S. Banking system was on the verge of collapse in 2008 and now, thanks to Dodd-Frank and Basel III, has the strongest capital base in over a generation. Employment strengthened in December with Non-Farm Payrolls adding 151,000 to bring unemployment to 4.9%. Average hourly earnings increased to a 2.4% annual pace. The Consumer Prices Index ("CPI") surprised to the upside with a 1.4% year over year ("YoY") increase and Core CPI (ex food and energy) is up 2.2% YoY, its highest since

August 2011. Durable Goods Orders, which measures orders on high priced capital goods with a useful life of three years or more, increased 4.9% month over month ("MoM") in January. This speaks to the high confidence the business sector has in the economy and the continued impact it is having on upward wage pressure. If anything, this data concerns us that the U.S. is growing too fast which could lead to inflation not deflation.

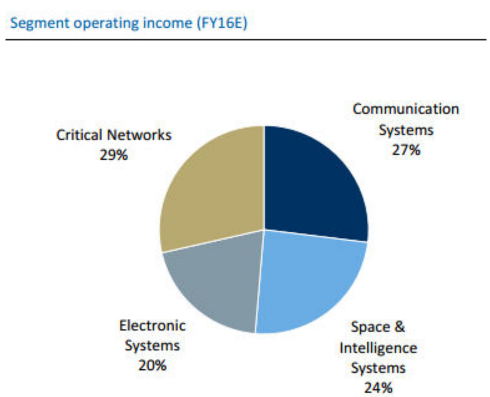
Rising wages should continue to persist throughout the U.S. in 2016 as the labour supply tightens. This will continue to push up housing rents, which are already up 3.3% YoY (housing rents comprise 40% of Core CPI) and encourage renters to become homeowners, which should push up mortgage demand and interest rates. Both these outcomes pull core inflation up. If we continue to see inflation numbers persist, portfolio managers and institutional investors alike will find themselves overweight bonds and underweight equities. This could cause a major rush back into risk assets and propel the S&P 500 to new highs.

We wrote extensively last month on the strength of the U.S. consumer and the recovering American housing market. Home Depot (NYSE:HD), one of the stocks held by the Caldwell U.S. Dividend Advantage Fund ("The Fund"), supported this argument when they reported better than expected fourth quarter 2015 results. Earnings were up 7.1% over the same time frame last year, far better than the markets expectation of 4.8%. The housing market continues to improve. The spring is a strong time for home sales and historically inventory for this period is six months. It currently sits at four months. This is setting up housing prices to increase as a strong labour force meets an under-supplied housing market.

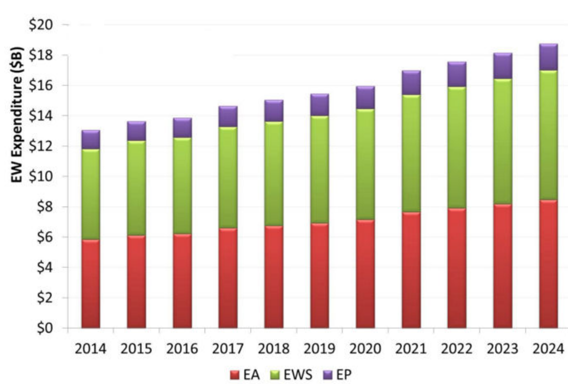
Canada remains challenged with the backdrop of low oil prices but grey skies are clearing. The Canadian dollar ("CAD") has quietly climbed back to over $0.741 CAD/USD from a low $0.683 a month ago. The Fund took advantage of this by hedging over 40% of our portfolio's USD exposure at the $0.69 CAD/USD level and increased our weighting in Canadian equities that have significant operations throughout the United States. Many Canadian companies generate the majority of their revenue in the U.S. and are more impacted by the U.S economy than Canada's. In fact, for many, a weak Canadian dollar actually helps. However, in February all stocks, good and bad, were sold. Broad Canadian markets presented a number of intriguing investments for the Fund. We continue to be opportunistic in our purchases of Canadian firms that are positively impacted from a strong U.S. economy.

The Canadian economy will likely still post weak data in the next calendar quarter. The energy sector is still managing through layoffs that have yet to work their way through the data. Canadian banks still do not know what the full extent of loan write downs will be from low oil. Most investors would jump for joy if the price of WTI rose to $40. This is still far away from the price of oil when most projects were initially approved and will cause discomfort for many producers if WTI does not go higher. The Bank of Canada is likely to keep rates low for the foreseeable future until the WTI price recovers. The American economy has a backdrop of rising wages and inflation, a strong economy, and credit growth. Due to these differences, we believe the U.S. Dollar will continue to outperform the Canadian Dollar over the coming months.

The Fund has used this recent period of volatility to make additions to the portfolio. One such addition is Harris Corporation (NYSE:HRS). HRS is a high quality electronics firm which provides defence, government, and commercial customers with technology based solutions. The recent acquisition of Exelis (NSYE:XLS) has made it a dominant player in the defence industry. The result is a defence electronics company with strong positions in radios, communications, electronic security, and networks. The electronic security market alone is expected to grow by 48% to over USD $19 billion by 2024. One of their strongest business lines is in tactical radios for military and commercial functions where they are the market leader. Currently they provide the U.S. Department of Defence ("DoD") with over 50% of their tactical radio product and support. Recently HRS, along with Rockwell Collins and General Dynamics, won a massive USD $12.73 billion contract to outfit the U.S. Army with "manpack" radios. This contract encompasses the radios themselves, the accessories, and the support services that are necessary through 2026. This contract is a catalyst for investors as it gives a clear path to revenue growth in the future. Thanks to this recent acquisition, HRS has a significant depreciation shield which will protect a significant portion of its revenue from taxes. Due to this, HRS will generate over 100% of its net income into free cash flow. This will likely be used to reduce debt until the end of 2017 and then used to fund share buybacks and dividend increases going forward.



Source: RBC



Source: Strategy Analytics

The Fund believes HRS will be a strong performer in 2016. Fundamentals continue to support technology based solutions providers to grow at a strong pace in the U.S. Economy. We believe U.S. dividend-paying equity securities that possess a combination of low volatility and high profitability will significantly and disproportionately benefit from the continued U.S. economic expansion.

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